

# Cash and Investment Monitoring

FY2010 Training

## What is the PTIF?

- PTIF = Public Treasurer's Investment Fund
- Includes funds held by Utah local gov'ts, city & county treasurers, state boards, commissions, institutions, departments, divisions, agencies, school districts and other public bodies

## What state funds can invest in the PTIF?

- Only those funds that have legislative authority (by statute) to earn interest can invest money in the PTIF
- FIACCT 02-07 governs this



## What state funds can invest in the PTIF?

- Example of statute allowing interest –

19-8-103. Creation of restricted account -- Purposes.  
(1) There is created within the General Fund the Environmental Voluntary Cleanup restricted account.  
(2) The account shall be used to fund department administration and oversight of voluntary cleanups initiated under this chapter.  
(3) The account may earn interest, which shall be deposited in the account, to be used for the purposes under this section.

## Policy regarding investment of funds

FIACCT 02-07

## Finance policy regarding investment of funds – FIACCT 02-07

- Allows state agencies to invest excess cash with the State Treasurer and receive interest earned on the investments
- Establishes minimum cash balance requirements

### Finance policy regarding investment of funds – FIACCT 02-07

- Policy applies to the investment of funds if:
  - The funds are maintained on the state's central accounting system and
  - The funds are authorized to invest and retain interest through legislative directive or
  - The funds are authorized to invest and retain interest by contractual agreement (trust funds)

### Finance policy regarding investment of funds – FIACCT 02-07

- Minimum Balance Requirement
  - Each investing fund should maintain an uninvested cash balance of \$50,000 or 10% of the cash + investment balance (whichever is lesser)

### Minimum Balance Requirement

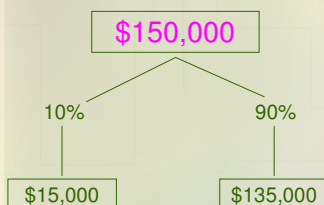
- The General Fund incurs the cost of accounting for and investing funds and therefore should receive compensation for this service
- This compensation is received by the General Fund if each investing fund maintains a minimum cash balance (all cash balances within FINET are automatically invested by the General Fund)

### Example --

- On June 1, Fund ABCD has a combined cash and investment balance of \$150,000. How much should be in cash and how much should be invested in order to maintain the minimum balance requirement?

### Example --

- On June 1, Fund ABCD has a combined cash and investment balance of \$150,000. How much should be in cash and how much should be invested?



### Finance policy regarding investment of funds – FIACCT 02-07

- Uninvested Balances
  - If there is money in cash that is not invested, interest will not be applied retroactively.
  - If the error is outside the agency's control, the agency may request a retroactive application of interest (contact the Division of Finance)

## CASH vs. PTIF

What's the difference?

### Differences between PTIF Investments and Cash

Cash = checking account  
(non-interest bearing)

**\$Cash\$**

**PTIF**

PTIF = savings account  
(interest bearing)



### Just like at a bank --

- If interest should be earned on \$\$, it needs to be in the "savings account"
- If money is being spent, \$\$ needs to be in cash (0010) or else the "checking account" will become overdrawn
- Money is not automatically transferred between checking and savings when a check is written

## PTIF Procedures

Setting up PTIF accounts and  
investing/un-investing money

### How to set up a PTIF account

- Ensure the fund has statutory authority to earn interest
- Contact Stephanie Baldes at the Treasurer's Office at 538-1470 or [sbaldes@utah.gov](mailto:sbaldes@utah.gov) to get a PTIF account number
- Complete the *PTIF New Account Application and Change Form* found on-line at [www.treasurer.utah.gov/investmentfund.html](http://www.treasurer.utah.gov/investmentfund.html)
- Fax the completed form to 538-1465

### Procedures to invest funds

- Deposit the monies into the fund (CR) – this should be done within 3 working days of receiving the money
- Send request form to the State Treasurer's office to invest or un-invest the funds
- The Treasurer's office will process a JVCO to move the monies between cash and investment

The Investment Request Form-State Agencies can be found at the State Treasurer's website- [www.treasurer.utah.gov/investmentfund.html](http://www.treasurer.utah.gov/investmentfund.html). Fill out the form and return it by mail or fax (538-1465)

UTAH STATE TREASURER  
PUBLIC TREASURER'S INVESTMENT FUND

Effective Date: \_\_\_\_\_  
Dept Name: \_\_\_\_\_

**INVESTMENT REQUEST FORM**

PTIF #	FUND	DEPT	B/S ACCT	AMOUNT	DESCRIPTION	INCREASE OR DECREASE

Approved: \_\_\_\_\_ Agency Authorization \_\_\_\_\_ Date \_\_\_\_\_  
Approved: \_\_\_\_\_ State Treasurer's Office Authorization \_\_\_\_\_ Date \_\_\_\_\_

The effective date can only be back dated to the beginning of the current month

UTAH STATE TREASURER  
PUBLIC TREASURER'S INVESTMENT FUND

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Approved: \_\_\_\_\_ State Treasurer's Office Authorization \_\_\_\_\_ Date \_\_\_\_\_

## Example --

- On June 1, Department 100 receives \$165,000. It needs to be invested in PTIF account #1234 to earn interest

Today is June 29<sup>th</sup> and nothing has happened with the PTIF account yet.  
What needs to be done?

UTAH STATE TREASURER  
PUBLIC TREASURER'S INVESTMENT FUND

Effective Date: June 1, 2010  
Dept Name: DAS

**INVESTMENT REQUEST FORM**

PTIF #	FUND	DEPT	B/S ACCT	AMOUNT	DESCRIPTION	INCREASE OR DECREASE
1234	1000	100	0602	\$165,000	increase investment	I

Approved: Jane Smith June 29, 2010  
Agency Authorization \_\_\_\_\_ Date \_\_\_\_\_  
Approved: \_\_\_\_\_ State Treasurer's Office Authorization \_\_\_\_\_ Date \_\_\_\_\_

## Monitoring Cash and Investment Balances

## Monitoring cash balances to maximize interest earnings

- Reconcile the fund to the monthly PTIF statement; notify the Treasurer's office of any errors
- Be aware of large cash transactions going through the fund (large deposits coming in; large payments going out; quarterly appropriation transfers); invest/un-invest as needed during the month

## Monitor the cash and investment balances through FINET

**Production Financial**  
**Message Center**  
**Search**  
 Page Search  
 Document Catalog  
 Report Search  
**History**  
**Favorites**  
**Administration**

**Page Search**

Category:   
 Page Type:   
 Description:   
 Page Code:  **Page Code = BBALD**  
 Browse Clear  
 Description Page Code  
 ITD Balance Sheet Detail BBALD  
 First Prev Next Last Open With Data

## Monitor the cash and investment balances through FINET

**ITD Balance Sheet Detail**

Menu Quick Search

Fund	Name	Sub Fund	Name	BSA	Name	Sub BSA	Name	BSA Type	Balance
0010	FIN DPS TERM PL	BLNK	0010	Cash	BLNK		Asset		\$2,445.64
0010	FIN DPS TERM PL	BLNK	5400	Acrd P/R Ctl	BLNK		Liability		\$0.00
0010	FIN DPS TERM PL	BLNK	6000	Out Crd Fund	BLNK		Liability		\$0.00
0010	FIN DPS TERM PL	BLNK			BLNK		Liability		\$0.00
0010	FIN DPS TERM PL	BLNK			BLNK		Equity		\$600,264.72

**1- Search**

**2- Enter fund number**

Fund: 2460  
 BSA:   
 Balance:   
 Sub Fund:   
 Sub BSA:   
 Ok Clear Cancel

## Monitor the cash and investment balances through FINET

**ITD Balance Sheet Detail**

Menu Quick Search

Fund	Name	Sub Fund	Name	BSA	Name	Sub BSA	Name	BSA Type	Balance
2460	FIN ED BDGT RES	BLNK	0010	Cash	BLNK		Asset		\$50,000.00
2460	FIN ED BDGT RES	BLNK	0602	Investments	BLNK		Asset		\$233,507,905.89
2460	FIN ED BDGT RES	BLNK	0669	Inv-Fv Adj	BLNK		Asset		\$0.00
2460	FIN ED BDGT RES	BLNK	7125	FB Rstr Funds	BLNK		Equity		\$0.00
2460	FIN ED BDGT RES	BLNK	7166	Rainy Day Fund	BLNK		Equity		(\$142,808,324.49)

First Prev Next Last

**Search**

Fund: 2460 Debit Amount: \$154,335,048.00  
 FIN ED BDGT RES Credit Amount: \$154,285,048.00  
 Sub Fund: BLNK

## Monitor FINET Reports

**REPORT ID: AM11**  
**RUN DATE: 06-05-2010**

State of Utah  
 TRIAL BALANCE REPORT - FUNDARY  
 FY 2010 THROUGH AND 11  
 AS OF 06-05-2010

PAGE 1 2

FUND : 0015 (FTE) Public Safety-OPER Pool

ACCOUNT TYPE	ENDING BALANCE	TOTAL DEBITS	TOTAL CREDITS	ENDING BALANCE
0010 - Cash	\$50,000.00	\$540,831.78	(\$540,831.78)	\$50,000.00
0602 - Investments	\$1,512,928.39	\$147,881.35	(\$173,807.88)	\$1,339,120.51
0669 - Investment Income	\$2,125,487.84	\$5,974.42	\$0.00	\$2,119,513.42
0662 - Investment Equity	\$4,121,619.42	\$173,807.88	\$0.00	\$3,947,811.54
0669 - Investment Fair Value Adjust	\$0.00	\$0.00	\$0.00	\$0.00
1010 - Accounts Payable Closing Form	\$0.00	\$0.00	\$0.00	\$0.00
1801 - Due From Other Funds	\$0.00	\$0.00	\$0.00	\$0.00
ACCT TYP ASSET TOTAL	\$7,680,035.33	\$1,668,523.48	(\$164,613.66)	\$6,051,919.25
Liability				
5100 - Voucher Payable Control	\$0.00	\$0.00	\$0.00	\$0.00
ACCT TYP LIABILITY TOTAL	\$0.00	\$0.00	\$0.00	\$0.00
Fund Balance				
7125 - Fund Balance Restricted Funds	(\$1,164,685.32)	\$0.00	\$0.00	(\$1,164,685.32)
7200 - Fund Balance Deficit Closing	\$0.00	\$0.00	\$0.00	\$0.00
ACCT TYP FUND BALANCE TOTAL	(\$1,164,685.32)	\$0.00	\$0.00	(\$1,164,685.32)

## Example --

- On June 15, Fund ABCD makes a \$65,000 payment. The Fund had a total of \$150,000 available (\$15,000 in cash and \$135,000 in investments). What needs to be done to keep a positive cash balance



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\$150,000		Cash	Investments
(\$65,000)			
\$85,000		\$15,000	\$135,000
		(\$65,000)	(0)
		(50,000)	135,000
		58,500	(58,500)
		\$8,500	\$76,500
		Un-invest \$58,500	



### Example --

- On June 15, Fund ABCD receives a check for \$100,000. The Fund had a total of \$150,000 available before the deposit (\$15,000 in cash and \$135,000 in investments). What needs to be done to maximize interest earnings while maintaining a minimum cash balance?



### Example --

- On June 15, Fund ABCD receives a check for \$100,000. The Fund had a total of \$150,000 available before the deposit (\$15,000 in cash and \$135,000 in investments). What needs to be done to maximize interest earnings while maintaining a minimum cash balance?

\$150,000		
<u>100,000</u>		
\$250,000		
10%	90%	
\$25,000	\$225,000	
\$15,000	\$135,000	
<u>100,000</u>	<u>( 0 )</u>	
115,000	135,000	
<u>(90,000)</u>	<u>90,000</u>	
\$25,000	\$225,000	
Invest \$90,000		

### Negative Cash Balances

The effect on the General Fund and on interest earned

### Negative Cash Balances

- The General Fund earns interest daily on all of the cash in balance sheet 0010
- If any individual fund has a negative cash balance, it reduces the interest earned by the General Fund
- The General Fund is basically loaning the other fund money to cover its negative cash balance

### Negative Cash Balances

Interest is still earned by ABCD Fund on its investments even though the cash balance in the fund is negative



The General Fund loses interest on the overall cash balance since ABCD Fund has a negative cash balance

### Negative Cash Balances

- Per FIACCT 02-07, "the General Fund must not be penalized if your resources are over invested"



- The Division of Finance monitors cash balances on a monthly basis. If a fund has a negative balance for the month, the interest earned will be returned to the General Fund

Re: Negative Cash and Positive Investments

Some agencies by Utah law are allowed to invest and earn interest on certain specified funds. However, an agency cannot invest more than its available cash balance. Required minimum cash balances and management of investments are outlined in State Accounting Policy FIACCT 02-07.00. Financial managers are responsible for managing their cash and investment balances. The State Division of Finance monitors cash balances in all funds.

For the month of May 2010, the following fund had an average negative cash balance and a positive investment balance with the State Treasurer. FIACCT 02-07.00 states "The General Fund must not be penalized if your resources are over-invested." Accordingly, the following table shows the amount of interest the State Division of Finance will return to the General Fund on June 23, 2010 which amount represents the average of May's over-investment of funds.

Fund	Fund Name	Average Cash Balance	Interest Owed*
1234	(FIN) CASH MONITORING FUND	(\$2,475,501.26)	\$1,186.91

\*Interest is calculated as 1/12<sup>th</sup> of the average daily balance x Interest Rate = 0.5754% (Average PITF interest rate for May 2010). However, if the actual interest earned is less than the calculated amount, only the actual interest earned will be returned to the General Fund.

Please monitor your cash and investment balances closely to avoid this problem in the future. If you have any questions, contact Deborah Memmott, State Division of Finance, at 538-3171 or Jason Nielsen, State Treasurer's Office at 538-1453. Thank you for your cooperation.

## How is the average negative cash balance calculated?

CASH			
Beginning balance	807,990.86		
All activity that hit 0010 cash for the month – summarized by day	(807,990.86)	12-May-10	Date transactions were entered into FINET
	(727,190.86)	19-May-10	
Ending balance	(727,190.86)		

## How is the average negative cash balance calculated?

Daily Activity			
807,990.86	01-May-10	\$807,990.86	Daily balance is calculated
(807,990.86)	12-May-10	\$0.00	
(727,190.86)	19-May-10	(\$727,190.86)	
(727,190.86)			

## How is the average negative cash balance calculated?

807,990.86	01-May-10	\$807,990.86	11	The # of days that the cash remained at a given balance
(807,990.86)	12-May-10	\$0.00	7	
(727,190.86)	19-May-10	(\$727,190.86)	13	
(727,190.86)			31	

On May 1<sup>st</sup> the cash balance was 807,990.86. It stayed at this balance for 11 days. On May 12<sup>th</sup> all the cash was spent and the balance was zero for the next 7 days. On May 19<sup>th</sup> \$727,190.86 was spent and the balance became negative for the last 13 days of the month.

## How is the average negative cash balance calculated?

01-May-10	\$807,990.86	11	\$8,887,899.46	Daily balance x number of days
12-May-10	\$0.00	7	\$0.00	
19-May-10	(\$727,190.86)	13	(\$9,453,481.18)	
		31	(\$565,581.72)	
			(\$19,244.57)	

Sum of the balances divided by the number of days in the month equals the average balance for the month

## Example --

01-Mar-09	\$3,825.00	3	\$11,475.00	Cash was negative for 22 days during the month
04-Mar-09	(\$52,050.00)	7	(\$364,350.00)	
11-Mar-09	(\$55,481.90)	8	(\$443,855.20)	
19-Mar-09	(\$115,481.90)	7	(\$808,373.30)	
26-Mar-09	\$1,397,518.10	5	\$6,987,590.50	
31-Mar-09	\$1,400,310.90	1	\$1,400,310.90	
		31	\$6,782,797.90	
			\$218,799.93	

Although the cash balance was negative for over 2/3 of the month, the average balance was still positive. In this case, no interest would be transferred back to the General Fund

Be aware of the cash balance in the fund – the General Fund receives the interest earned on uninvested cash balances

	BS Acct 0010		Interest Would
	Avg Bal	PTIF %	Have Earned
Jan 2010	\$13,086,595.10	0.5955%	6,618.71
Feb 2010	\$13,086,595.10	0.5518%	5,539.79
Mar 2010	\$12,510,720.10	0.5605%	5,955.20
April 2010	\$12,070,345.10	0.5649%	5,604.22
May 2010	\$12,070,345.10	0.5833%	5,980.20
			<b>\$ 29,698.11</b>

Over 5 months, this fund lost \$29,698.11 in interest that it would have earned if the money was invested in the PTIF

## Summary of Useful Tips

- Establish time-frame/schedule of when to evaluate balances and invest/un-invest
  - Evaluate based on nature of fund and its activity
- Focus on significant amounts (determine what \$\$ threshold works for the fund)
- Monitor real-time balances in FINET (BBALD)
- Reconcile PTIF statements monthly
- Review FINET reports monthly (AM31)

## Questions & Answers



### Question #1

Agency XXX receives a payment of \$250,000 on January 5<sup>th</sup>. A CR is done to record the receipt in FINET on January 6<sup>th</sup>. On January 29<sup>th</sup>, Billie realizes that the \$250,000 should have been moved to the PTIF account so it could earn interest. What should she do?

- nothing – it's too late
- wait until Feb and then send a request to the Treasurer's office to invest the funds
- send a request to the Treasurer's office immediately with January 29<sup>th</sup> as the effective date
- send a request to the Treasurer's office using January 5<sup>th</sup> as the effective date

### Question #2

Every quarter there is an appropriation transfer out of Fund 1234 for \$1,000,000. Bob is responsible for monitoring the cash in the fund. He is on vacation when the transfer is made during the first week of March. Fund 1234 has a negative cash balance for three weeks before he has a chance to move money from the PTIF account to cover the transfer. What should he do?

- send a request to the Treasurer's office to un-invest \$1,000,000 using March 1<sup>st</sup> as the effective date
- hope nobody notices the negative cash balance
- wait for Finance to send him a letter, then deal with it
- send a request to the Treasurer's office using March 31<sup>st</sup> as the effective date and wait for Finance to take back interest earned during the time his cash was negative.

### Question #2

Timing of quarterly transfers: the 1<sup>st</sup> week of the 3<sup>rd</sup> month of each quarter

September

December

March

June



## Who to contact?

- Treasurer's Office
  - Jason Nielsen – 538-1453
  - Fax – 538-1465
- Division of Finance
  - Deborah Memmott – 538-3171

## Questions?

